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FARMERS' NEWSLETTER

Cotton



CURRENT
COTTON
RECORDS

June 81/C-17

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Planting is well under way in all areas of the Cotton Belt. The 1981 crop is off to one of the earliest starts in recent years, with planted acreage indicated at about 14.5 million--the same as last year.

Yields will likely be better than last year's disappointing 404 pounds per harvested acre. A normal yield is about a bale an acre. Total U.S. production this year could range from 12.1 to 15.5 million bales. If yields end up slightly above normal, as now expected, production could be around 13.8 million bales--in contrast to last year's 11.1 million.

But higher yields will require much better weather than last summer served up. You may want to compare growing conditions in your area with those in other regions, so here are some highlights.

Growing Conditions: So Far, So Good

Southwest--In most of the Texas High Plains, the soil is near maximum water storage capacity. A few spots have somewhat dry subsoils, but as of mid-May planting was well advanced on the High Plains.

Other areas of Texas have more than adequate soil moisture, and some coastal areas have perhaps too much, which could inhibit root development. The Rio Grande Valley crop is progressing well. Overall, production prospects in the Southwest are the most favorable in years.

SUPPLY AND DEMAND MAY STAY IN CLOSE BALANCE

Crop year beginning August 1	1979	1980 ¹	1981 ²	
			Pro- jected	Prob. variab.

---Million 480-lb. bales---

Beginning stocks	4.0	3.0	2.5	± 0.2
Production	14.6	11.1	13.8	± 1.7
Total supply ³ . . .	18.6	14.2	16.3	± 1.7
Mill use	6.5	5.8	6.1	± 0.5
Exports	9.2	6.0	7.0	± 1.5
Total use	15.7	11.8	13.1	± 1.7
Ending stocks ⁴ . . .	3.0	2.5	3.3	± 1.1

---Cents per pound---

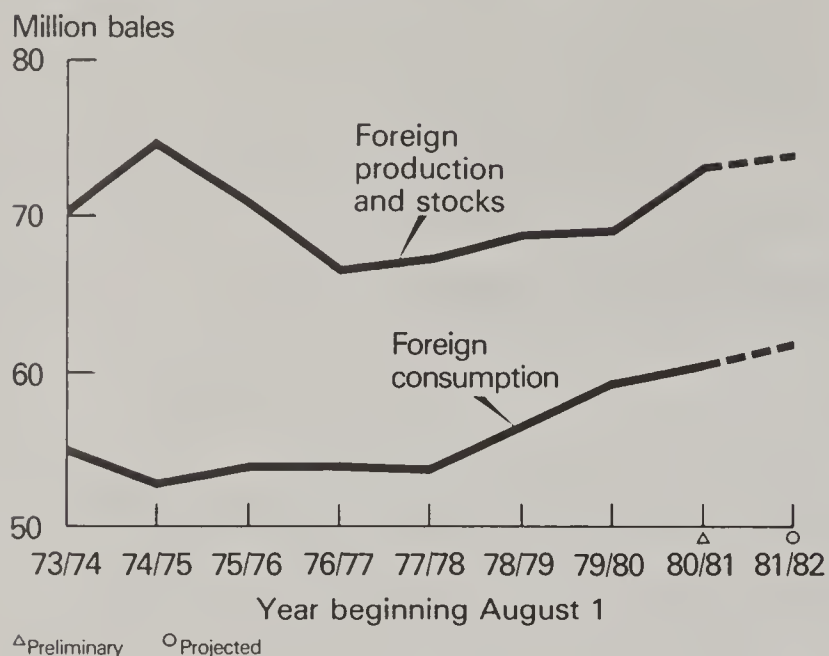
Farm price	63.4	76.4 ⁵	(⁶)
Loan rate ⁷	50.2	48.0	52.46

¹ Estimated. ² As of May 12, 1981. Chances are two out of three that the outcome will fall within the implied ranges. ³ Includes imports. ⁴ May not add because of rounding. ⁵ Average to April 1, 1981. ⁶ USDA is prohibited from publishing cotton price projections. ⁷ For SLM 1-1/16" cotton.

Midsouth--The crop here is also off to one of the best and earliest starts in years. Most acreage is planted and a large portion is up to a stand. The principal concern is lack of subsoil moisture. To make an average crop in the Midsouth, frequent and proper amounts of rainfall will be required. Since current predictions suggest that the 1981 season will again be dry,

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FOREIGN COTTON CONSUMPTION TRENDING UPWARD



there remains a great deal of uncertainty in this region.

The area could also be in for an outbreak of cotton bollworms and tobacco budworms this year. Unusually high numbers of over-wintering moths have been trapped, perhaps meaning expensive insect control problems.

Southeast--Although planting here is well ahead of schedule, some areas are short of moisture. Georgia reports that many farmers are planting in a dry seedbed and hoping for rain to bring up the cotton. The forecast for light rains is good. Heavy rains, though, could cause the soil to crust over and hamper the emergence of seedlings. Georgia subsoil moisture is also very low.

North and South Carolina, on the other hand, have improved soil moisture with spring rains, but continued timely rain is needed to insure prospects for a good crop.

West--Late April rains caused some replanting in parts of the San Joaquin Valley and delayed planting in other areas. Overall, though, prospects are good because high temperatures are encouraging seedlings to emerge and develop.

Marketing Options To Consider

Since most producers have made their decision about 1981 acreage, now is the time to consider marketing options and the supply/demand conditions that will likely affect cotton markets next season.

Current projections indicate that, per acre, average U.S. cotton production costs may increase 10-20 percent in 1981/82 (compared to 10 percent last season). However, anticipated higher yields could reduce per pound costs below 1980's average of 95 cents (based on total costs excluding land and not adjusted for cottonseed value). But it's only when you use your own cost and yield estimates in formulating marketing plans that cost of production information is important.

Therefore, if you have the opportunity to forward contract, you may want to contract enough of your expected crop to cover production expenses, and then explore other marketing options on the rest. Right now, however, forward contracting has slowed to a near standstill, with only about 5 percent of prospective 1981 acreage contracted through April, compared with 19 percent a year ago. Mills are apparently waiting for the size of the crop to become clearer, and producers are not accepting current offers.

Cotton prices are likely to fluctuate this spring and summer in response to weather and other developments that could affect the size of next fall's harvest. Prices are likely to move higher on "weather scares." You may want to take advantage of such runups to fix a price on a portion of your crop.

Market Outlook

Cotton use next season should increase in line with the expected larger production. Total use could be around

13.1 (+1.7) million bales, with higher exports accounting for most of the increase.

Even if production does rise above normal, though, stocks are likely to remain pretty tight. The main reason is that the carryin this season was so small--around 2.5 million bales, the lowest figure in 3 decades. Thus, price movements in the next few months will be very sensitive to production prospects, both here and abroad.

U.S. Demand: So-So

Domestic cotton use in 1981/82 is expected to be up slightly--to about 6.1 (+.5) million bales. Cotton will likely give synthetic fibers a good bit more price competition next year. Last fall, cotton was about 15 cents per pound higher than polyester staple. Now, mills are paying only a nickel more per pound for cotton.

However, this positive influence has to be counterbalanced with one that may be negative--the U.S. economy. During the first quarter, cotton mill use was down 10 percent from a year earlier, as mills cut production to

Program Update

The final upland cotton target price for the 1981 crop is 70.87 cents a pound; last year's price was 58.4 cents. The loan rate for the 1981 crop has been set at 52.46 cents a pound for Grade 41, staple 34--up from 48 cents last year.

The average farm price of upland cotton for this calendar year will be compared to the target price to determine if deficiency payments will be made on the year's crop. This differs from the program for grains, where the average farm price for the first 5 months of the marketing year is used for comparison with the target price.

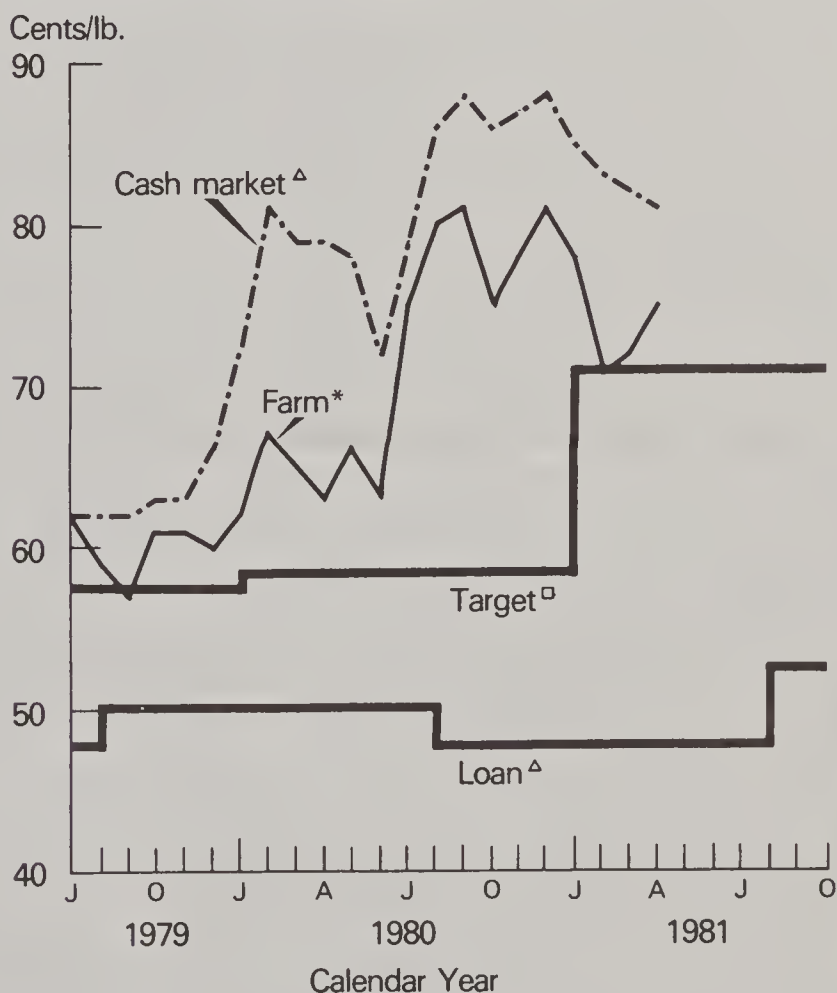
reduce inventories. If economic activity continues slow this year, you may not see much pickup in domestic demand for cotton.

Another factor that could limit mill use is our widening cotton textile trade deficit. During first quarter 1981, the cotton content of our textile imports was about 495,000 bales. But, our textile exports represented only 213,000 bales of cotton, giving us a deficit of 282,000 bales. The deficit for the first quarter of 1980 was only 118,000 bales.

Early Export Prospects: Promising

If the 1981 crop meets expectations and foreign demand picks up, exports could be around 7 (+1.5) million bales in 1981/82. Economic conditions in major foreign cotton-consuming nations are expected to be slightly

FARM PRICES STAY HIGH; LOAN RATE INCREASED



Δ SLM 1-1/16 inch at average location.

$*$ U.S. average for all qualities and locations.

\square Approximate for 1981.

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better next year, allowing them to increase imports.

So, the United States could export some 1 million bales more next season--assuming American producers don't face much increase in foreign competition. Currently, only a slight increase is expected from foreign producers--about 800,000 bales total. As the season progresses, though, you'll probably want to keep tabs on foreign cotton production prospects, especially in China and the Soviet Union, to weigh in your marketing decisions.

More Information on Market Conditions

A good way to keep abreast of changing market conditions is through the USDA's World Agricultural Supply and Demand Estimates and World Crop Production reports. Both are issued monthly and contain projections of domestic and foreign production, utilization, stocks, and trade. The early-season production projections are based on analysis of trends, weather, economic factors, and on the judgment of USDA analysts. The projections carry plus/minus variations to reflect early-season uncertainties.

Crop Production, another monthly pub-

lication, includes results of actual in-the-field surveys. The first such survey of 1981 U.S. cotton production and yield prospects will be reported in the August 12 issue.

Copies of these publications may be obtained by writing ESS Publications, Room 0054 South, USDA, Washington, D.C. 20250.

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